

Message Text

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ACTION ARA-20

INFO OCT-01 ADP-00 SS-15 NSC-10 CIAE-00 DODE-00 INR-10

NSAE-00 PA-03 RSC-01 USIA-15 PRS-01 AGR-20 AID-20

COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02

OMB-01 STR-08 RSR-01 /160 W
----- 048111

R 091605Z AUG 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3191

INFO AMEMBASSY ASUNCION

AMEMBASSY BRASILIA

AMEMBASSY MONTEVIDEO

AMEMBASSY SANTIAGO

USCINCSO

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E.O. 11652: N/A

TAGS: ECON, ESTC, ETRD, AR, CU, US

SUBJ: ARGENTINA'S \$200 MILLION CREDIT TO CUBA

REFS: A) BA 5769 B) STATE 155351 C) STATE 117307

1. SUMMARY. GOA EXTENSION OF SUBJECT CREDIT RECEIVING MUCH ATTENTION FROM ARGENTINE PRESS. AS GOA OFFICIALS SPEAK FURTHER CONCERNING CREDIT, EMPHASIS TURNING AWAY FROM AGRICULTURAL PRODUCTS TOWARD OPPORTUNITIES FOR ARGENTINE INDUSTRIAL EXPORTS. POLITICAL SIGNIFICANCE HIGHLIGHTED. TERMS OF CREDIT STILL OBSCURE OR UNDECIDED. ARGENTINE PRESS NOTING POSSIBLE PARTICIPATION BY US SUBSIDIARIES IN ARGENTINE/CUBAN TRADE.

2. FOLLOWING FINANCE MINISTER'S ANNOUNCEMENT AUGUST 6TH, REPORTED REF A, PRESS REPORTERS BESIEGED OTHER GOA OFFICIALS INCLUDING FONOFF FOR MORE INFORMATION. WHOLE OF ARGENTINE PRESS AUGUST 7 AND 8 GIVEN STORY MAJOR PLAY THROUGH NUMEROUS ARTICLES
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AND SOME EDITORIAL COMMENT.

3. ACCORDING TO LA NACION, FONOFF ON AUGUST 7 ISSUED STATEMENT ALONG FOLLOWING LINES: QUOTE IS POSITIVE STEP PUSHING FORWARD ARGENTINE POLICY TO USE ALL MEANS OFFERED BY INTERNATIONAL COOPERATION TO PROMOTE ECONOMIC DEVELOPEMENT OF COUNTRY AND AT SAME TIME SOLVE PROBLEMS OF BROTHOR COUNTRIES. CREDIT WILL BE ALMOST ENTIRELY USED FOR CUBAN PURCHASES OF MANUFACTURED PRODUCTS INCLUDING AGRICULTURAL MACHINERY, TRUCKS PLUS EQUIPMENT AND COMPLETE PLANTS FOR CUBAN DAIRY PRODUCTS, CANNED FOODS AND MEAT INDUSTRIES. END QUOTE.

4. IN MIXED ARTICLE/EDITORIAL COMMON TO ITS FORMAT, LA OPINION, WITHOUT REVEALING SOURCES FOR ITS INFORMATION, INDICATES LINE OF CREDIT TO CUBA COULD INCLUDE TRANSACTIONS WITH CREDIT EXTENDED TO EIGHT YEARS. ALSO CLAIMS THERE IS PROVISION FOR CUBANS TO MAKE 15 PERCENT DOWN PAYMENT. IN SPECULATIVE TERMS, LA OPINION INDICATES REPAYMENT OF CREDITS MAY BE ARRANGED PART IN FOREIGN EXCHANGE AND PART IN RECIPROCAL CREDITS FOR UNNAMED CUBAN PRODUCTS. ALSO POSES POSSIBILITY ARGENTINA WOULD RECEIVE PRODUCTS OF THIRD COUNTRY (AGAIN NOT SPECIFIED) WITH PROCEEDS CREDITED TO CUBAN ACCOUNT. REMAINDER LA OPINION ARTICLE HIGHLIGHTS POLITICAL SIGNIFICANCE, FOR BOTH CUBA AND ARGENTINA, OF ESTABLISHING COMMERCIAL TIES.

5. LA OPINION ALSO NOTES THAT MEASURES FOR IMPLEMENTING TRADE UNDER NEW CREDIT HAVE NOT BEEN SPECIFIED AND IT IS UNKNOWN WHETHER CUBAN ORDERS WILL BE ASSIGNED DIRECTLY TO ARGENTINE PRODUCERS OR WHETHER ARGENTINE PRODUCERS WILL COMPETE UNDER BIDS OPENED BY CUBANS. ARTICLE NOTES GOA WILL WISH TO MAXIMIZE EXPORTS BY QUOTE ARGENTINE UNQUOTE FIRMS AND MIGHT MAKE QUOTE FOREIGN UNQUOTE FIRMS INELIGIBLE, EXCEPT THAT IT IS UNLIKELY THAT QUOTE ARGENTINE UNQUOTE FIRMS COULD SUPPLY ALL ITEMS CUBANS WILL WANT. LA OPINION ALSO NOTES THAT HOME OFFICES OF US FIRMS OPERATING IN ARGENTINA MAY NOT ALLOW EXPORTS TO CUBA WHICH WOULD BE DIRECT INTERVENTION IN INTERNAL (ARGENTINE) POLICY AFFAIRS.

6. IN EDITORIAL LINKING POSSIBILITY FUTURE ARGENTINE MOVES VIS A VIS ANDEAN PACT AND LAFTA, RUMORED DESIGNATION OF EX-PRESIDENT CAMPORA AS SOME SORT OF ARGENTINE AMBASSADOR AT LARGE IN LATIN LIMITED OFFICIAL USE

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AMERICA AND CREDIT TO CUBA, EL CRONISTA COMERCIAL HIGHLIGHTS POLITICAL SIGNIFICANCE OF CREDIT AS EXPRESSION OF ARGENTINE ECONOMIC INDEPENDENCE. CAUTIONS, HOWEVER, THAT IT WILL BE IMPORTANT TO ANALYZE THE LIST OF PRUDUCTS TO BE EXPORTED BECAUSE A FIRST TENTATIVE LOOK INDICATES CUBA WILL WISH TO BUY PRODUCTS PRINCIPALLY PRODUCED IN ARGENTINA BY FOREIGN FIRMS. ARTICLE CONTINUES ARGENTINA SHOULD BE CAREFUL SO THAT OPENING OF NEW EXPORT TRADE IS NOT USED BY FOREIGN FIRMS AS A LOOPHOLE TO EVADE

THEIR OWN COUNTRIES' POLITICAL BARRIERS TO TRADE WITH CUBA AND, ESPECIALLY, WHEN THEY WOULD PROBABLY BE RECEIVING THE BENEFITS OF THE SIGNIFICANT ARGENTINE SUBSIDIES WHICH ARE ATTACHED TO EXPORTS OF MANUFACTURED GOODS.

7. ABOVE INDICATES OTHERS SHARE OUR CONCERN THAT PROPOSED TRADE WITH CUBA WILL RAISE PROBLEMS FOR SEVERAL US FIRMS WITH SUBSIDIARIES IN ARGENTINA IN CONNECTION WITH US CUBAN ASSETS CONTROL REGULATIONS. EMBASSY HAS ONLY SCANTY KNOWLEDGE OF REACTION TO DATE BY LOCAL US SUBSIDIARIES TO IMPLICATIONS OF ARGENTINE CREDITS TO CUBA. EXPORT MANAGER ONE US AUTO FIRM TODAY VISITED EMBASSY SEEKING VALIDATION OF HIS PASSPORT TO TRAVEL TO CUBA AND STATED HE EXPECTED TO TRAVEL THERE SOON TO INVESTIGATE OPPORTUNITIES FOR HIS FIRM. WE ARE HESITANT TO CONTACT OTHERS BY PHONE ON THIS SENSITIVE SUBJECT BUT WE WILL BE SEEKING THEIR REACTION DURING THIS WEEK AND HOPE TO REPORT MORE FULLY BY AUGUST 14. WE ANTICIPATE THAT US FIRMS INCLUDING FORD, GENERAL MOTORS, CHRYSLER AND JOHN DEERE WILL AT VERY LEAST BE RELUCTANT TO SEE FIAT CONCORD MONOPOLIZE POSSIBLE AUTO, TRUCK AND TRACTOR SALES TO CUBA. EMBASSY FEELS THAT FOR THE MOMENT THE SUBSTANCE OF PARAS 1-4 IN REF (C) PROVIDE US WITH SUFFICIENT MATERIAL TO GIVE GUIDANCE TO LOCAL US EXECUTIVES OF SUCH FIRMS. EMBASSY WILL WELCOME DEPARTMENT'S COMMENTS ON SUBJECT.

KREBS

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